

Scrap Processing. The processing and disposal of Government-owned scrap generated on Government contracts can differ depending on the circumstances. For example, the scope of work may create scrap containing:

- Sensitive items
- Hazardous materials or wastes
- Classified or otherwise controlled items
- Precious or strategic metals
- Characteristics or components dangerous to public health or safety.

Such scrap property may require physical segregation, unique disposal processing or separate plant clearance reporting. To test for compliance, the Property Administrator (PA) shall ensure the contractor properly disposes of scrap. In general, contractor procedures should address the disposal of the following types of scrap:

- Unserviceable end-items beyond economical repair (meeting the DFARS definition of scrap) or scrap parts removed from end-items as a result of the repair, maintenance, overhaul, or modification process.
- Unless the PA or plant clearance officer Plant Clearance Officer (PLCO) determines otherwise, contractor and Government owned scrap may be commingled, thus losing their identity as Government property.
- Once the scrap property loses its identity as Government property, the record requirements of FAR clause 52.245-1(f) (iii) (A) (1) through (10) do not apply.
- Scrap left over from production operations, i.e., production scrap (shavings and trimmings), engineering, research, and development.
- Production scrap does not warrant physical segregation and may be commingled and disposed of with contractor owned scrap.
- Other types of scrap; e.g., serviceable property downgraded to scrap, may be disposed of for its basic material content by direction of the PLCO.

The PA shall ensure that:

- The cognizant DCAA office has determined if the contractor's disclosed accounting practices (CASB DS-1) are adequate and, if so, that the contractor properly credits scrap sales proceeds to an appropriate

overhead pool, in order to benefit all government contracts (for contractors meeting the requirements of [FAR 30.201](#)).

- The contractor's procedure allows for effective and efficient sales processes enabling reasonable returns based on scrap market value.
- Usable (non-scrap) property is not processed through the contractor's scrap operation unless directed by the PLCO.
- Sensitive scrap is processed according to the individual requirements for that type of sensitivity (PCBs, lead, etc.).
- Sales proceeds are deposited in accordance with FAR 45.604-4.

Note: On occasion, for example, due to contract terms and conditions, the volume and type of scrap (such as a large volume of strategic metals) may justify the requirement for a separate plant clearance case.